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SITUATION SUMMARY

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CENTRAL INTELLIGENCE AGENCY

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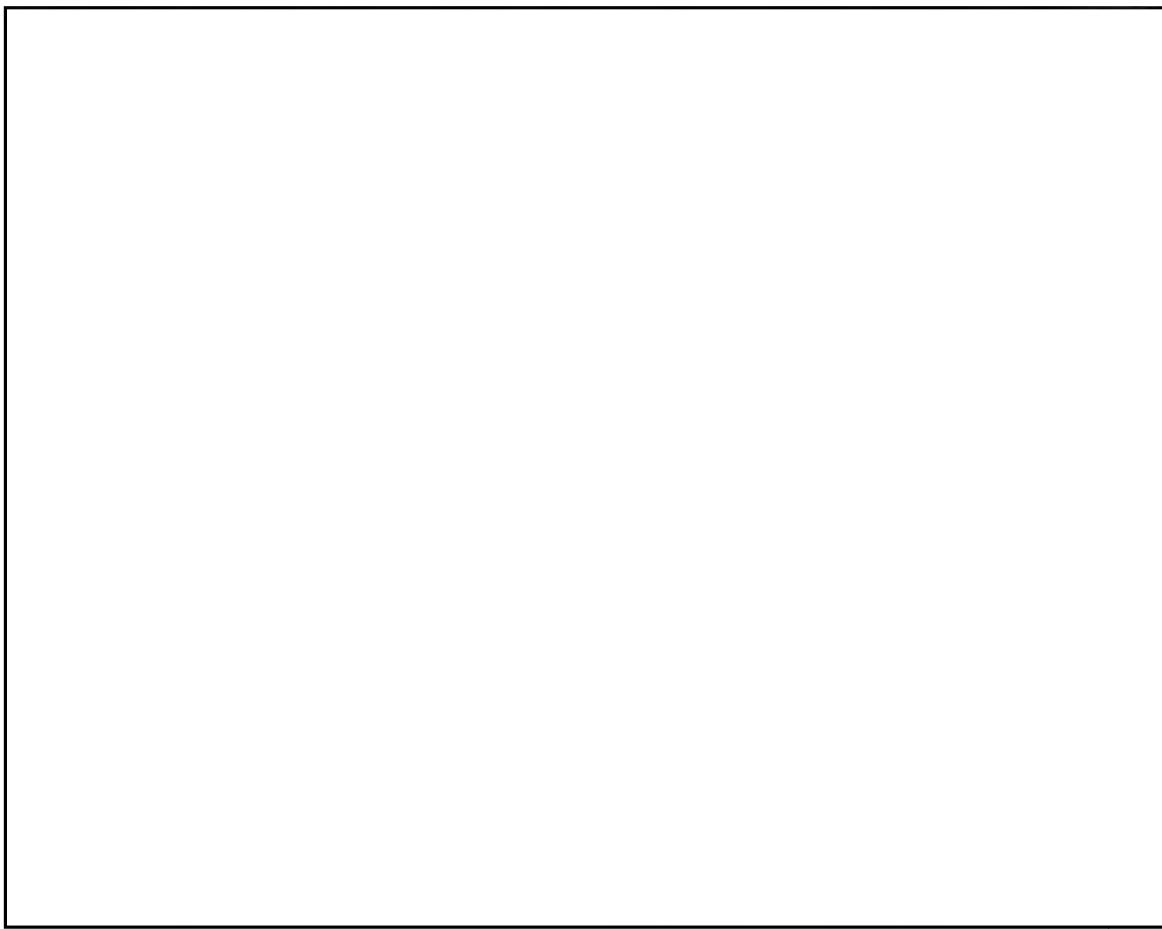
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China

Offshore islands: Bad weather this week again limited military action by either the Chinese Communists or Nationalists in the coastal islands. The Communists continued their sporadic shelling of the Quemoy and Ichiang, north of the Tachens.

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Peiping offer of rewards to Chinese Nationalist defectors: In the latest of a series of propaganda appeals to Formosa, the Chinese Communist Ministry of Defense announced on 1 January a policy of rewarding officers and soldiers from Formosa who cross over to the mainland. The announcement promised lenient treatment and offered land and traveling expenses to those who wished to return home.

For the first time, the offer included specific cash rewards for various kinds of weapons. Those who bring over airplanes or

warships are to be liberally rewarded. Members of the Chinese Communist forces are enjoined to treat defectors properly, and in order to insure their safety the Ministry of Defense has issued safe conduct passes.

Similar but less specific offers have been made in recent months without any significant result in encouraging defections.

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Peiping's stand on Afro-Asian conference: Peiping seems to be moving to seize the initiative at the Afro-Asian conference scheduled to be held next April at Bandung, Indonesia. In an apparent attempt to exploit an issue which will appeal strongly to most participants, Chinese Communist spokesmen in the past few days have emphasized the anti-colonial nature of the conference and have presented Peiping as an authoritative voice on the subject of anti-colonialism. The Chinese Communists also are attempting to define the meeting as designed for "enlarging the peace area." They may be expected to try, during the course of the conference, to extend and improve their diplomatic relations and to encourage "neutrality."

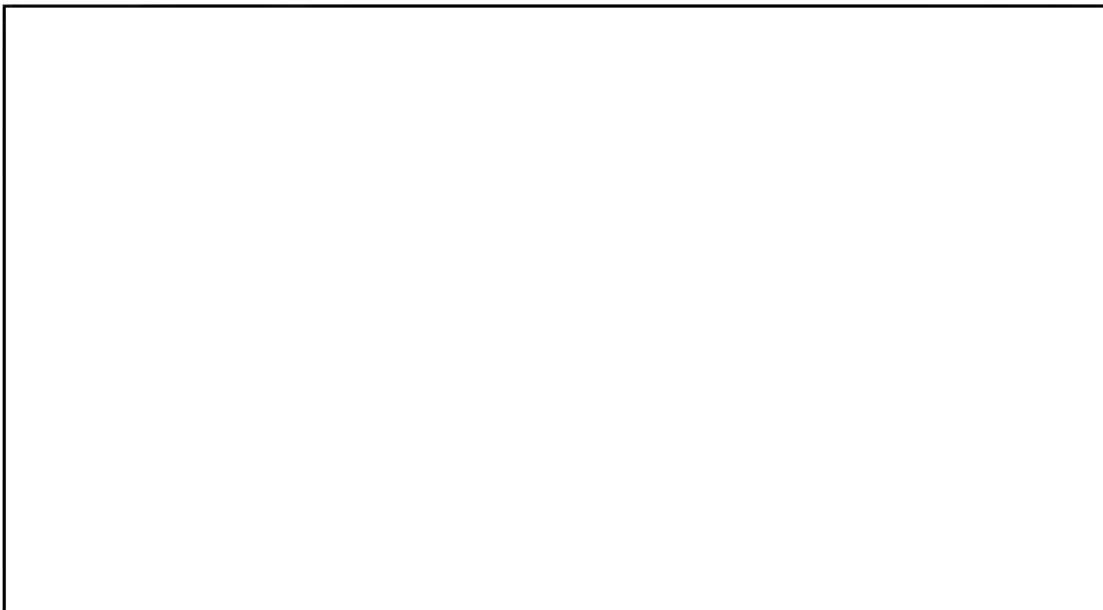
A Peiping People's Daily editorial on 5 January implied that efforts will be made to arrange for North Korean representation at the conference.

Peiping is continuing its campaign to isolate the United States by accusing it of being opposed to the conference. This charge has been echoed recently in the Orbit and Indian press.

The US Embassy at New Delhi believes that Nehru can be counted on to resist Chinese efforts to dominate the meetings. Several other prospective participants also are expected to oppose Peiping's bid for leadership.

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Indochina

Tightening of Viet Minh controls: The Viet Minh regime is tightening its grip on the citizens of Hanoi through such typical Communist techniques as criticism meetings, mass demonstrations, intensive propaganda, and the threatened use of force against dissidents.

An editorial in a Hanoi newspaper on 5 January stated that "we are now trying to wipe out all vestiges of the slave culture of aggressive imperialism" and warned citizens against listening to radio broadcasts from South Vietnam.

On 1 January the Viet Minh mobilized an estimated 150,000 people for a mass demonstration to welcome Ho Chi Minh and to protest against "American imperialism."

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Iran

Rumored "dissolution" of Tudeh: Rumors are growing in Tehran that Moscow will order the "self-dissolution" of the Tudeh in the near future as a gesture designed to convince Iran of the Soviet Union's friendly intentions and to forestall Iranian participation in the Turkish-Pakistani pact.

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It is possible that the rumors are a Soviet "plant" calculated to suggest that the USSR profoundly desires to be considered a good neighbor without actually committing the Communists to dissolution of the Party. The US Embassy in Tehran estimates that actual dissolution would be more likely to strengthen Zahedi, whose continued pressure has reduced the Party to its current low point, than to prevent Iranian participation in the Turkish-Pakistani pact.

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Iraq

Relations with the USSR: The Iraqi Foreign Office summoned the Soviet Charge on 4 January to inform him that, in view of Iraq's decision to close its Legation in Moscow, Baghdad now desired to "suspend" relations with the USSR "for the time being." This move reportedly was taken on the direct orders of Prime Minister Nuri Said, who has regarded the Soviet Legation in Baghdad as the center of subversive activities and has evinced a strong determination to reduce Communist activity in Iraq. He probably feels that the closing of the Legation will eliminate a source of considerable Communist agitation and will weaken internal opposition to his plans for strengthening Iraq's defenses with Western assistance.

According to the US Embassy in Baghdad, the Soviet Charge did not express undue surprise when requested to close the Legation and is now awaiting instructions from Moscow. Meanwhile, unconfirmed press reports from Tehran allege that the USSR had requested Iran to take care of Soviet interests in Iraq and that the Soviet Embassy in Tehran had requested transit visas for Soviet personnel from Baghdad. While such a gesture toward Iran would undoubtedly be effective propaganda, it is more likely that Soviet interests in Iraq will be taken over by Czechoslovakia, which still has diplomatic relations with Iraq.

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General

Orbit activities related to Paris accords: There is little evidence thus far of implementation of any of the "counter-measures" outlined by the Moscow Conference in response to the French National Assembly's affirmative vote on the Paris agreements. Orbit commentaries suggest that the USSR may postpone implementation of major countermeasures until it has had time to assess the results of the French decision and to appraise the prospects for final completion of the ratification process in France and Germany.

Communist propaganda has minimized the French Assembly action, asserting that the "insignificant majority of votes" obtained by "unprecedented pressure" from the United States, Britain, and the Vatican had served to strengthen popular opposition. Pursuing the line that the "struggle is not over," the Soviet press repeatedly has stressed the Assembly's negative vote of 24 December and has pointed out that the accords must now go to the Council of the Republic, "where resistance is great."

The Soviet leaders have carefully maintained wide freedom of action in the timing of their "countermeasures" and are not committed to any irrevocable action in response to the completion of this first stage of the French ratification process.

In East Europe, the possibility of a special defense arrangement involving East Germany, Poland, and Czechoslovakia was again indicated by a meeting of parliamentary representatives of the three countries held in Prague from 29 to 31 December. A resolution issued at that meeting renewed the threat made at the Moscow conference that the three nations are "determined further to strengthen their cooperation in all fields and to aid each other." The leading East German delegate at Prague mentioned the "conclusion of new treaties and agreements," but there has been no precise definition of the nature of the measures to be taken.

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East Europe

Transfer of Soviet submarine: Confirmation of the transfer of one Soviet coastal submarine to the Polish navy last summer increases the number of Polish submarines to four, all of which are short range types and at least three of which were constructed prior to World War II. It is considered unlikely, however, that the reported return to East Germany of ten German World War II submarines, allegedly provided for in a Soviet-East German agreement, has actually occurred. The East German navy is believed to have no submarines.

The USSR has about 130 short range submarines, of which 35 are considered obsolete and 47 are inactive. It is possible that the Soviet submarine construction program will allow additional transfers of Soviet coastal submarines to Satellites having sea frontiers. In the case of East Germany, submarines might be given to the navy as part of the countermeasures to arming of the Federal Republic.

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Release and rehabilitation program: Additional releases or rehabilitations of former Satellite leaders apparently have occurred recently, or are under consideration, in Czechoslovakia, Bulgaria, and East Germany. The program probably is part of a general policy designed to bolster the national front, Communist Party ranks, and new course appearances of over-all "legality."

Franz Dahlem, one of the three East German Communists whose cases reportedly are under SED review, was implicated during the Slansky trial in 1952. The other two were involved in the Rajk trial in Hungary in 1950. These men, who together with a number of other German Communists were members of wartime emigre groups in the West, represent a moderate wing within the SED, and their release would probably be motivated in part by their popularity with SED members.

In Czechoslovakia, the recent release of a number of people implicated by the Slansky trial indicates that the entire episode may be under review. Although not specifically accused of collaborating with Slansky, former Czech Foreign Trade Minister Gregor, now apparently rehabilitated as a minor government official, was relieved of office just prior to the Slansky trial. Two of his

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deputy ministers were accused and convicted of being members of the Slansky "gang." The recently reported release of 60 to 70 Czech Jews arrested during the same period may also be connected with a review of the Slansky trial. In Bulgaria, two Communists arrested during the Kostov trial were released in November, [redacted]

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There is no evidence that any of these releases will result in public repudiation of past trials. The Party figures released to date presumably will quietly reappear and assume minor posts. [redacted]

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USSR

Propaganda on nuclear warfare: Recent Soviet propaganda statements have reemphasized the claim that the USSR is capable of retaliating with nuclear warfare. This propaganda has appeared in the context of response to Western moves to arm West Germany and a series of statements by Western spokesmen which Moscow apparently considers serious enough to warrant the reintroduction of a theme first used in early 1954.

Soviet propagandists have returned to Malenkov's warning of last March that nuclear war "would mean the end of world civilization." While not stressed as the focal point of propaganda statements, this theme has been utilized during the past several weeks in an obvious attempt to influence Western thinking in connection with the arming of the Federal Republic. Broadcasts have been beamed especially to heavily populated Western European countries. Moscow warned the people of Great Britain that, in the event of nuclear war, "all the consequences of atomic warfare will come crashing down on the British Isles."

A mid-December article in Pravda claimed that the USSR has facilities for delivering nuclear weapons "to the place where they may be needed." In its first reaction to President Eisenhower's speech to the nation on 29 December, Moscow warned that, if "aggressive circles" provoke a war, "it will sweep on to the American continent as well."

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Voroshilov on Sino-Soviet relations: Voroshilov's special article on China, written for publication in Moscow and Peiping on New Year's Day, emphasized what is becoming a fairly well-established pattern in Sino-Soviet relations. In the attention and praise accorded China, Moscow again demonstrated its regard for Peiping as nearly an equal partner. Voroshilov gave whole-hearted endorsement to the domestic program adopted by the Chinese but confined his discussion of the Soviet role in that program to one of providing "experience."

While there was no pledge of military backing for a Chinese campaign against Formosa, the legality of Peiping's determination to liberate the island was upheld in a context of Sino-Soviet solidarity. Voroshilov also gave the first acknowledgment by a Soviet official of Chinese pledges at the Moscow rump conference

on European security to join in a common struggle "to meet fully armed any intrigues of the warmongers."

While Peiping has never obtained a Soviet response to its bids to include Formosa within the guarantees of the Sino-Soviet Treaty, the cumulative effect of Moscow's statements on this issue has been to develop and support the thesis that China's determination to liberate the island is compatible with the principle of "coexistence." Moscow also has not repeated the error of isolating itself as it did by its walk-out from the UN prior to the Korean war but has utilized diplomatic channels to express the Soviet position on Formosa and to press the validity of the Chinese claims. The USSR may hope through these efforts to aid the Chinese in their attempt to isolate the US on the Formosa issue.

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Removal of chairman of Uzbek SSR Council of Ministers: On 22 December Tashkent radio announced that U. Y. Yusupov had been removed as Chairman of the Uzbek Council of Ministers. Yusupov has been a full member of the Central Committee of the CPSU since 1939 and was Party First Secretary in the Uzbek Republic from 1938 until 1950, when he was appointed minister of the newly established USSR Ministry of Cotton Growing. When that ministry was absorbed into the Ministry of Agriculture and Procurements in 1953, he returned to Uzbekistan to the less important position of Chairman of the Council of Ministers.

It appears that the decision to remove him came as a result of information brought to light at the cotton growing conference in mid-November 1954, attended by Khrushchev. A Pravda editorial commenting on the conference was extremely critical of the fact that the Tadzhik SSR had outstripped the Uzbek SSR in cotton yields per hectare. It was pointed out that Yusupov's "d disdainful" attitude toward advanced methods was one of the main reasons for the lag in cotton yields in Uzbekistan. [redacted]

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